

PUBLIC DISCLOSURE

SEPTEMBER 2, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LYNN POSTAL EMPLOYEES CREDIT UNION

51 WILLOW STREET

P.O. BOX 615
LYNN, MA 01903

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **LYNN POSTAL EMPLOYEES CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated " High Satisfactory "

A CRA rating of "High Satisfactory" is assigned. An institution in this group has a very good record of ascertaining and helping to meet the credit needs of its membership, including low and moderate-income members, in a manner consistent with its resources and capabilities.

Lynn Postal Employees Credit Union was evaluated for Community Reinvestment under the CRA Small Examination Procedures. Since Lynn Postal Employees Credit Union is an industrial credit union, it was evaluated upon the following three performance criteria: 1) Average Loan to Deposit (Share) Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending, in accordance with 209 CMR 46.41(8). According to 209 CMR 46.41(8), a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Since Lynn Postal identifies its membership according to affiliation and not residence, no evaluation of any geographical performance factors was conducted.

The credit union's average net loan-to-deposit (share) ratio for the previous four semi-annual periods is 90.2 percent and exceeds the standards for satisfactory performance at this time.

An analysis of the credit union's lending activity by borrower income revealed that 45.7 percent of the number of real estate loans was granted to low and moderate-income borrowers. Also, an analysis of the credit union's lending activity by borrower income revealed that 80.0 percent of the number of consumer loans was granted to low and moderate-income borrowers. The credit union was found to exceed the standards for satisfactory performance under this criterion.

The credit union's fair lending performance is considered to meet the standards for satisfactory performance.

When determining the overall rating, factors including the credit union's size, resources and staff limitations were also considered.

PERFORMANCE CONTEXT

Description of Institution

Lynn Postal Employees Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1926. The credit union was established to serve the credit needs of employees in the Lynn postal district. The credit union's sole office is located in Lynn, Massachusetts. The credit union is open Monday through Friday with office hours from 9:00AM to 4:00PM. The credit union's hours are considered convenient and accessible to its members.

As of June 30, 2003, the institution's total assets were \$12.4 million, with total loans in the amount of \$9.8 million, representing 79.0 percent of total assets. The following table depicts the credit union's loan portfolio composition based on the September 2, 2003 NCUA Call Report of Condition.

LOAN PORTFOLIO COMPOSITION		
LOAN TYPE	AMOUNT (\$000)	%
First Mtg.	\$4,482,140	45.9%
Lines of Credit	\$1,824,444	18.6%
Used Vehicle	\$1,152,309	11.7%
ORE	\$941,889	9.6%
New Vehicle	\$ 855,991	8.7%
Share Secured	\$284,095	2.9%
Unsecured Loans	\$250,478.00	2.6%
TOTALS	\$9,791,346.00	100.00%

Source: June 30, 2003 NCUA 5300 Report

The largest percentage of the credit union's loan portfolio involves First Mortgage loans, which represent \$4,482,140, or 45.9 percent of all loans. Lines of Credit follow first Mortgages, which represent 18.6 percent, and Used Vehicles, which represent 11.7 percent.

Members are provided with direct deposit for payroll and automatic payroll deductions for loan payments.

Competition within the credit union's assessment area includes a variety of community based and industrial credit unions, small loan companies, and community banks. Given its asset size and financial capacity, Lynn Postal Employees Credit Union has been successful in helping to meet the credit needs of its membership.

The Division of Banks last conducted a CRA examination on August 30, 1999, which resulted in the Lynn Postal Employees Credit Union receiving a "Satisfactory" CRA rating.

Description of Assessment Area

The Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. Under the Massachusetts CRA Regulation, 209 CMR 46.41(8), a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Lynn Postal Employees Credit Union, as an industrial credit union whose membership is based upon affiliation rather than geography, has elected to identify its assessment area as its membership.

Lynn Postal Employees Credit Union's by-laws state: "Membership in this corporation is limited to those individuals and relatives of such individuals who are employed by the United States Postal Service who work or reside in the 019-018 postal code, municipal employees, of the Town of Nahant and approved members of small employee group not to exceed 100 members."

Lynn Postal Employees Credit Union has approximately 1,945 current members out of a potential 3000 members.

PERFORMANCE CRITERIA

1. AVERAGE LOAN TO DEPOSIT (SHARE) RATIO

The first criterion evaluated is the credit union's average net loan to total share ratio. A review of Lynn Postal Employees Credit Union's net loan to share ratios for the period December 31, 2001, through June 30, 2003, was conducted during this examination. The average net loan to total share ratio over the period was determined to be 90.2 percent and is considered to exceed the standard for satisfactory performance. Please refer to the following table for additional information.

LYNN POSTAL EMPLOYEES CREDIT UNION			
LOAN TO SHARE ANALYSIS			
Period	Net Loans(\$000)	Shares(\$000)	Ratio
DEC-01	7,691,363	8,770,903	87.7
JUN-02	8,572,647	9,050,167	94.7
DEC-02	8,893,500	10,066,120	88.3
JUN-03	9,605,421	10,646,682	90.2
		AVERAGE	90.2%

NCUA 5300 Call Report 6/30/03

The above table indicates that the credit union experienced a steady increase in loans during the current examination period, of approximately 24 percent. Management stated that the increase was due in large part to members taking advantage of the current

attractive interest rates and refinancing existing loans. Share balances have also exhibited a relatively steady increase of 21 percent during the period examined.

The following table provides net loan to share ratios for other postal credit unions of similar asset sizes. The ratios shown are calculated from NCUA Financial Reports – Financial Analysis as of June 30, 2003.

COMPARATIVE LOAN TO DEPOSIT RATIOS		
JUNE 30, 2003		
Credit Union	Asset Size(Mill)	LTD %
Lynn Postal Employees CU	\$12.4	91.9%
Brockton Postal CU	\$11.8.	68.9%
Worcester Postal CU	\$11.6	60.8%

NCUA Financial Report – Financial Analysis – June 2003

As demonstrated above, the credit union's loan-to-share ratio is excellent in comparison to the other comparable institutions of similar size and nature.

Based on the above information, including the significant average loan-to-share ratio of 90.2 percent, as well as the credit union's record of steadily increasing loans during the period examined, Lynn Postal Employees Credit Union has demonstrated a willingness to lend to its membership. In consideration of its capacity to lend, its asset size, the types of loans available, its limited resources and lending strategy, the credit union's loan to deposit ratio exceeds the standards for satisfactory performance.

2. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The second performance criterion evaluates the extent to which the institution lends to borrowers of different income levels, particularly borrowers of low and moderate income. Residential and consumer lending activities were analyzed to determine the institution's performance. The credit union's performance under this criterion was found to exceed the standards for satisfactory performance.

Lynn Postal Employees Credit Union's real estate-related loans, as well as a sample of consumer loans for calendar year 2001, 2002 and year-to-date September 2, 2003 were analyzed in order to determine the distribution of credit based upon the income level of the borrower. The analysis of borrower income level identified the ratio of borrower income to the Median Family Income for the Metropolitan Statistical Area (MSA). The median family incomes for the Boston MSA was as follows: \$70,000 in 2001, \$74,200 in 2002 and \$80,800 in 2003. These figures are based upon estimated 2001, 2002 and 2003 Department of Housing and Urban Development (HUD) information.

Low-income is defined by the U.S. Census Bureau as income below 50 percent of the median family income level for the MSA; moderate-income is defined as 50 to 79 percent of the median family income; middle-income is defined as income between 80

and 119 percent of the median family income; and upper-income is defined as income at or greater than 120 percent of the median family income.

Real Estate Loans

The following table provides a breakdown of a sample of 46 real estate related loans including first mortgages and equity lines of credit originated among the credit union's membership by applicant income level. The information in the table below indicates that the largest percentage of real estate loan originations by number, 39.1 percent, was granted to individuals of moderate-income. Also, of the total real estate loans originated during the exam period, 6.6 percent was granted to low-income borrowers.

REAL ESTATE RELATED LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN MSA INCOME	2001		2002		Y-T-D 2003		TOTAL	
<50%	1	11.2	2	10.5	0	0.0	3	6.6
50% - 79%	3	33.3	7	36.8	8	44.4	18	39.1
80% - 119%	2	22.2	7	36.8	5	27.8	14	30.4
120%<	3	33.3	3	15.8	5	27.8	11	23.9
TOTAL	9	100%	19	100%	18	100%	46	100%

Source: HMDA/LAR and internal records 2001, 2002 and year-to-date 2003

The table below analyzes the distribution of residential loans by dollar amount, according to borrower income. The information included in the table indicates that the highest percentage of real estate loan originations by dollar amount, 35.8 percent, was granted to individuals of middle-income. Upper-income borrowers were next with 34.5 percent. Of the total real estate loans originated during the exam period, 27.7 percent was granted to moderate-income members and 2.0 percent was granted to low-income members.

REAL ESTATE RELATED LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR AMOUNT

% OF MEDIAN MSA INCOME	2001		2002		Y-T-D 2003		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	50	8.4	40	2.7	0	0.0	90	2.0
50% - 79	155	25.8	394	25.8	700	29.4	1249	27.7
80% - 119%	135	22.5	772	50.4	708	29.8	1615	35.8
120%<	260	43.3	324	21.1	970	40.8	1554	34.5
TOTAL	600	100%	1530	100%	2378	100%	4508	100%

Source: HMDA/LAR reporting records 2001, 2002 and year-to-date 2003

Consumer Loans

A sample of consumer loans granted in 2001, 2002 and YTD June 30, 2003 was taken and analyzed for borrower income levels. Lynn Postal Employees Credit Union granted 456 consumer loans totaling \$3,476,000 in 2001, 537 consumer loans totaling \$5,231,763 in 2002 and 158 consumer loans totaling \$2,758,000 as of year-to-date June 30, 2003. A sample of 50 loans totaling \$406,000 was taken to represent consumer lending for the current examination period.

The following table provides a breakdown of the 50 consumer loans originated among the credit union's membership by applicant income level. This analysis indicates that the majority or 80.0 percent of the loans was granted to low-and moderate-income borrowers and 16.0 percent was granted to middle-income borrowers. The smallest percentage - 4.0 percent was granted to members with upper-incomes.

The following table presents the results of the above analysis.

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER
BY NUMBER**

% OF MEDIAN MSA INCOME	2001		2002		Y-T-D 2003		TOTAL	
	#	%	#	%	#	%	#	%
<50%	2	10.0	3	15.0	2	20.0	7	14.0
50% - 79%	13	65.0	13	65.0	7	70.0	33	66.0
80% - 119%	3	15.0	4	20.00	1	10.0	8	16.0
120% >	2	10.0	0	0.0	0	0.0	2	4.0
TOTAL	20	100%	20	100%	10	100%	50	100%

Source: In-House Files

The information included in the table below indicates that, by dollar amount, the majority or 85.4 percent of the consumer loans were made to low to moderate-income members, 12.6 percent was to middle-income members and 2.0 percent was to members of upper income.

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER
BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	2001		2002		Y-T-D 2003		TOTAL	
	\$000	%	\$000	%	\$000	%	\$000	%
<50%	11	6.3	8	5.9	16	20.4	35	8.6
50% - 79%	138	76.0	113	78.2	61	75.1	312	76.8
80% - 119%	24	13.2	23	15.9	4	4.5	51	12.6
120% >	8	4.5	0	0	0	0	8	2.0
TOTAL	261	100%	144	100%	81	100%	406	100%

Source: In-House Files

The credit union's lending is well distributed in all categories of borrower income level. It should be noted, however, that the majority of consumer loans were granted to single applicants while the comparison is made to median family income. This may have the effect of slightly overstating the number of loans falling within the low and moderate-income categories.

Lynn Postal Employees Credit Union has displayed an excellent distribution of credit among borrowers of different income levels including those of low and moderate-income. Therefore, the distribution of credit among different income levels exceeds the standards for satisfactory performance.

REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

A review of the public comment file revealed that the credit union received no complaints pertaining to the institution's CRA performance since the previous examination.

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of the Regulatory Bulletin 2.2-101, the Division's Fair Lending Policy. The credit union's staff training is adequate. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee prior to issuing a notice of denial.

The credit union includes in its quarterly statement a description of any new available products, as well as changes in rates or services. Also, those members who are no longer current employees or retirees are considered in the quarterly statement mailing.

The criterion for the various types of credit offered, as well as the procedures for completing a loan application were reviewed during the examination. No practices intended to discourage applications were found.

Based on the foregoing information, particularly the credit union's proactive stance in dealing with the credit needs of its entire membership, the credit union is found to meet the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

LYNN POSTAL EMPLOYEES CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **SEPTEMBER 2, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.